

Consolidated Financial Results for the Six Months Ended August 31, 2021 (Japanese Accounting Standards)

October 13, 2021

Company name	Treasure Factory Co., Ltd.	Listings	The First Section of the Tokyo Stock Exchange
Securities code	3093	URL:	https://www.treasurefactory.co.jp/
Representative	President & CEO, Eigo Nosaka		
Contact	Director & Manager-Corporate Planning, Eiji Kobayashi		
Telephone	+81-3-3880-8822		
Submission of statutory quarterly financial report:			October 13, 2021
Commencement of dividend payments:			November 1, 2021
Supplementary documents for quarterly results:			Yes
Quarterly results briefing:			Yes (for institutional investors and analysts)

(Amounts in millions of yen rounded down to the nearest million yen)

1. Results for the six months ended August 31, 2021 (March 1, 2021 to August 31, 2021)

(1) Operating results

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2022 Q2	10,736	28.2	155	—	181	—	45	—
FY2021 Q2	8,377	(7.6)	(263)	—	(222)	—	(266)	—

(Note) Comprehensive income: FY2022 Q2 38 million yen (-%) FY2021 Q2 (264) million yen (-%)

	Profit per share	Diluted profit per share
	yen	yen
FY2022 Q2	4.03	—
FY2021 Q2	(23.51)	—

(2) Financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
FY2022 Q2	10,598	4,326	40.0
FY2021	10,417	4,311	41.1

(Reference) Shareholders' equity: FY2022 Q2 4,238 million yen FY2021 4,284 million yen

2. Dividends

	Dividend per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year end	Total
	yen	yen	yen	yen	yen
FY2021	—	2.00	—	8.00	10.00
FY2022	—	8.00			
FY2022 (forecast)			—	8.00	16.00

(Note) Revisions to dividend forecast published most recently: No

3. Results forecast for the fiscal year ending February 28, 2022 (March 1, 2021 to February 28, 2022)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary income		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	22,636	20.8	804	652.2	818	367.6	537	—	47.50

(Note) Revisions to results forecast published most recently: No

* Notes

(1) Changes in important subsidiaries during the three months of the current consolidated cumulative period under review (changes in specified subsidiaries that caused changes in the scope of consolidation): None
 Number of new companies (their names): Number of excluded companies (their names):

(2) Adoption of accounting unique to the preparation of quarterly consolidated financial statements: None

(3) Changes to accounting policies, changes of accounting estimates, and revisions and restatements

[1] Changes in accounting policies in accordance with changes in accounting principles: None

[2] Changes in accounting policies other than [1] above: None

[3] Changes in accounting estimates: None

[4] Revisions and restatements: None

(4) Number of shares issued and outstanding (common stock)

[1] Number of shares issued at period-end (including treasury shares)

As of Aug. 31, 2021	11,598,800 shares	FY2021	11,598,800 shares
As of Aug. 31, 2021	386,131 shares	FY2021	386,131 shares
As of Aug. 31, 2021	11,212,669 shares	As of Aug. 31, 2020	11,315,769 shares

[2] Treasury shares at period-end

[3] Average number of shares issued during the period

* These quarterly financial results are outside the scope of quarterly review procedures conducted by a certified public accountant or audit corporation.

* Explanation of the proper use of financial results forecast and other notes

Information relating to forecasts stated in this document was based on information available at the time of publication of the document. Actual results may differ materially from the forecasts due to a range of factors. For further information about the results forecast, please refer to (3) Explanation regarding the Information on Forecast including Consolidated Forecasts in 1. Qualitative Information about the Quarterly Financial Results on Page 3 of the attached material.

○ Table of Contents (Attachment)

1. Qualitative Information about the Quarterly Financial Results	4
(1) Explanation regarding the Non-consolidated Results of Operations	4
(2) Explanation regarding the Non-consolidated Financial Position	5
(3) Explanation regarding the Information on Forecast including Consolidated Forecasts	5
2. Quarterly Consolidated Financial Statements and Main Notes	6
(1) Quarterly Consolidated Balance Sheet	6
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	8
(3) Quarterly Consolidated Statement of Cash Flows	10
(4) Notes on the Quarterly Consolidated Financial Statements	11
(Notes on Going Concern Assumption)	11
(Notes on Substantial Changes in the Amount of Shareholders' Equity)	11
(Segment Information, etc.)	11
(Material Post-Balance Sheet Events)	12

1. Qualitative Information about the Quarterly Financial Results

(1) Explanation regarding the Non-consolidated Results of Operations

During the second quarter of the current consolidated cumulative period, a state of emergency was issued several times in Japan due to the novel coronavirus pandemic. Restrictions on economic activities were applied only to specific regions and types of businesses, and thus overall consumption has been picking up. That said, consumption that had been heading for recovery until July temporarily slowed down in August because of a rapid rise in coronavirus cases in late July. Nevertheless, demand for purchases by neighborhood reuse stores remained steady as decluttering homes became part of people's lives and their need for selling used items grew. In regard to sales, there remained considerable needs of consumers to buy daily necessities at bargain prices and to replace household goods to create a comfortable home environment.

With this great demand for reuse, the Treasure Factory Group opened nine directly-managed stores as it fully resumed new store openings. Furthermore, purchases through our channels (e.g., in-store, home-delivery, and home-visit purchases) grew, boosting the sales at new and existing stores. In regard to Group companies, from January 2021, sales of PickUP JAPAN were included in our financial results. In addition, Kindal, which engages in the reuse business, is seeing its sales heading for recovery, although the sales of products and services for international visitors remain slow. Selling, general and administrative expenses for new stores increased ¥155,658 thousand year on year as non-consolidated store openings went well. Moreover, ¥64,000 thousand was recorded as share-based remuneration expenses that accompanied the issuance of performance-linked share acquisition rights.

Consequently, the results of operations for the second quarter of the current consolidated cumulative period show net sales of ¥10,736,162 thousand (up 28.2 percent year on year), operating profit of ¥155,229 thousand (the same period of the previous year saw operating loss of ¥263,378 thousand), ordinary profit of ¥181,202 thousand (the same period of the previous year saw ordinary loss of ¥222,178 thousand), and quarterly profit of ¥45,187 thousand attributable to owners of the parent (the same period of the previous year saw quarterly loss of ¥266,079 thousand attributable to owners of the parent).

The results of operations sorted by segment are as stated below.

(Reuse Business)

Consolidated sales increased 28.2 percent year on year, non-consolidated sales increased 17.1 percent year on year, and non-consolidated sales at existing stores increased 11.3 percent year on year. In terms of sales by category, apparel sales, which were greatly affected by the pandemic during the same period last year, made a recovery and increased 29.4 percent year on year, and sales of household items increased 15.3 percent year on year. As for electric appliances, sales dropped after the dramatic increase driven by special cash payments provided for residents in Japan during the second quarter of the last year. In addition, the sales of air conditioners and other summer appliances remained below our projection due to lower-than-normal temperatures in August. As a result, sales of electric appliances decreased 2.9 percent year on year. Sales of fashion items and hobby-related items showed significant increases of 56.0 percent and 60.5 percent year on year, respectively, as PickUP JAPAN's sales were included in the results. As for e-commerce sales, we expanded offerings on our e-commerce site to meet the demand for shopping from home, thereby increasing non-consolidated e-commerce sales on our website by 63.2 percent year on year.

Consolidated purchases of merchandise for the fiscal year under review increased 51.5 percent year on year partly because PickUP JAPAN's purchases were included. Non-consolidated purchases also grew by 32.3 percent. As for non-consolidated purchases by channel, in-store purchases showed a steady increase of 40.1 percent year on year. Home-visit purchases dramatically increased by 61.1 percent year on year, and home-delivery purchases continued favorably and increased 29.9 percent year on year.

During the second quarter of the current consolidated cumulative period, we opened 3 general reuse stores, 4 fashion reuse stores, and 2 brand-name item reuse stores, the non-consolidated total being 9 stores. The numbers of stores at the end of the consolidated fiscal year under review are as follows: 141 directly-managed stores and 4 franchise stores, the non-consolidated total being 145; and 212 stores in total across the Group.

These results added up to net sales of ¥10,450,765 thousand (up 27.8 percent year on year) and the segment's profit of ¥967,965 thousand (up 117.3 percent year on year).

(Other)

Cariru, our rental business, successfully captured demand as people attended weddings and other events despite the pandemic. Consequently, sales of the rental business made a recovery and showed a dramatic increase of 337.1 percent year on year. The information system business, on the other hand, saw operating loss due to increased development costs.

These results added up to net sales of ¥309,692 thousand (up 39.2 percent year on year) and the segment's loss of ¥20,307 thousand (the same period of the previous year saw ¥44,551 thousand in loss).

(2) Explanation regarding the Non-consolidated Financial Position

Total assets at the end of the second quarter of the current consolidated accounting period increased by ¥181,196 thousand year on year to ¥10,598,752 thousand because of an increase of ¥376,187 thousand in merchandise, an increase of ¥161,196 thousand in buildings and structures (net), an increase of ¥110,651 thousand in leasehold and guarantee deposits, and a decrease of ¥512,956 thousand in cash and deposits, among other reasons.

Total liabilities at the end of the second quarter of the current consolidated accounting period increased by ¥165,953 thousand year on year to ¥6,272,169 thousand because of an increase of ¥78,306 thousand in current portion of long-term borrowings, an increase of ¥93,474 thousand in income taxes payable, and an increase of ¥116,347 thousand in long-term borrowings, among other reasons.

Total net assets at the end of the second quarter of the current consolidated accounting period increased by ¥15,242 thousand year on year to ¥4,326,583 thousand because share acquisition rights increased by ¥66,819 thousand and the quarterly profit of ¥45,187 thousand attributable to owners of the parent was recorded, among other reasons.

(Analysis of cash flows)

Cash and cash equivalents at the end of the second quarter of the current consolidated accounting period decreased by ¥512,956 thousand year on year to ¥1,424,377 thousand. The status of the cash flows during the second quarter of the current consolidated cumulative period and factors in these flows are as follows:

(Cash flows from operating activities)

Cash flows from operating activities during the second quarter of the current consolidated cumulative period added up to an expenditure of ¥132,335 thousand (the same period of the previous year saw an income of ¥125 thousand). This is mostly because we recorded an increase of ¥414,663 thousand in inventories, whereas we also recorded ¥153,342 thousand in depreciation and ¥123,097 thousand in profit before income taxes.

(Cash flows from investing activities)

Cash flows from investing activities during the second quarter of the current consolidated cumulative period added up to an expenditure of ¥493,369 thousand (the same period of the previous year saw an expenditure of ¥190,622 thousand). This is mostly because we recorded ¥273,235 thousand in purchase of property, plant and equipment, along with ¥121,249 thousand in payments of leasehold and guarantee deposits, to establish new stores.

(Cash flows from financing activities)

Cash flows from financing activities during the second quarter of the current consolidated cumulative period added up to an income of ¥108,286 thousand (the same period of the previous year saw an income of ¥255,495 thousand). This is mostly because we recorded ¥335,347 thousand in repayments of long-term borrowings, whereas we also recorded ¥530,000 thousand in proceeds from long-term borrowings.

(3) Explanation regarding the Information on Forecast including Consolidated Forecasts

The Treasure Factory Group pursues four growth strategies: development of the reuse business, investment in new businesses, growth in overseas markets, and growth through M&A. On the basis of these strategies, we are working toward the goals of our medium-term profit and loss plan. For the fiscal year under review, we have set the annual store openings target of 15 to 20. We opened 9 stores by the end of the second quarter of the cumulative period, and we expect to open 7 more stores by the end of the second half of the fiscal year (this prospect is current as of the publication of this document). We believe we have been opening stores in the Kanto, Kansai, and Chubu regions according to well-balanced plans.

During the six months that ended August 31, our sales temporarily slowed down in July and August due to the repercussions from the same period last year as well as unusually low temperatures. Nevertheless, both consolidated sales and profits were higher than the planned targets. The second half of the fiscal year has seen an increase in non-consolidated sales at existing stores by 4.1 percent, owing partly to seasonal changes in September. Recent drops in coronavirus cases have also helped stabilize our business environment.

That said, our full-year results forecast remain unchanged. This is because we may record additional share-based remuneration expenses that would accompany the issuance of performance-linked share acquisition rights, and because there may be another surge of coronavirus cases and the impact of it on our business results is indeterminate.

Given these factors, the full-year consolidated forecasts for fiscal 2022 remain unchanged from the figures released by the Company on April 14, 2021.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of Yen)

	Previous Consolidated Fiscal Year (Ended February 28, 2021)	Second Quarter of the Current Consolidated Accounting Period (Ended August 31, 2021)
Assets		
Current assets		
Cash and deposits	1,994,170	1,481,213
Accounts receivable - trade	548,801	535,814
Merchandise	3,568,686	3,944,874
Other	516,921	525,747
Total current assets	6,628,580	6,487,649
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	948,213	1,109,409
Land	446,949	446,949
Other, net	206,709	243,648
Total property, plant and equipment	1,601,872	1,800,007
Intangible assets		
Goodwill	169,885	101,662
Other	121,662	135,035
Total intangible assets	291,547	236,697
Investments and other assets		
Leasehold and guarantee deposits	1,541,401	1,652,052
Other	354,153	422,345
Total investments and other assets	1,895,555	2,074,398
Total non-current assets	3,788,975	4,111,102
Total assets	10,417,555	10,598,752

(Thousands of Yen)

	Previous Consolidated Fiscal Year (Ended February 28, 2021)	Second Quarter of the Current Consolidated Accounting Period (Ended August 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	61,452	57,823
Short-term borrowings	1,672,987	1,674,967
Current portion of long-term borrowings	600,290	678,596
Income taxes payable	68,756	162,231
Provision for bonuses	273,882	310,467
Provision for sales returns	18,822	23,626
Provision for point card certificates	50,376	52,959
Provision for loss on order received	—	20,173
Other	1,239,393	1,020,251
Total current liabilities	3,985,961	4,001,096
Non-current liabilities		
Long-term borrowings	1,514,595	1,630,942
Asset retirement obligations	583,214	610,698
Other	22,444	29,432
Total non-current liabilities	2,120,254	2,271,073
Total liabilities	6,106,215	6,272,169
Net assets		
Shareholders' equity		
Share capital	521,183	521,183
Capital surplus	456,183	456,183
Retained earnings	3,624,479	3,579,965
Treasury shares	(317,732)	(317,732)
Total shareholders' equity	4,284,113	4,239,599
Cumulative amount of other comprehensive income		
Foreign currency translation adjustment	31	(1,427)
Total cumulative amount of other comprehensive income	31	(1,427)
Share acquisition rights	—	66,819
Non-controlling interests	27,194	21,590
Total net assets	4,311,340	4,326,583
Total liabilities and net assets	10,417,555	10,598,752

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly consolidated statement of income)
(Second quarter of the consolidated cumulative period)

(Thousands of Yen)

	Second Quarter of the Previous Consolidated Cumulative Period (from March 1, 2020 to August 31, 2020)	Second Quarter of the Current Consolidated Cumulative Period (from March 1, 2021 to August 31, 2021)
Net sales	8,377,476	10,736,162
Cost of sales	3,223,149	4,105,444
Gross profit	5,154,327	6,630,717
Reversal of provision for sales returns	20,076	18,822
Provision for sales returns	29,262	23,626
Net gross profit	5,145,140	6,625,914
Selling, general and administrative expenses	5,408,519	6,470,684
Operating profit (loss)	(263,378)	155,229
Non-operating income		
Interest income	360	242
Vending machine income	6,251	7,591
Subsidy income	24,122	11,877
Commission income	—	6,617
Other	13,612	12,452
Total non-operating income	44,346	38,780
Non-operating expenses		
Interest expenses	2,523	6,339
Foreign exchange losses	—	5,964
Other	622	503
Total non-operating expenses	3,146	12,806
Ordinary profit (loss)	(222,178)	181,202
Extraordinary income		
Gain on reversal of share acquisition rights	6,619	—
Total extraordinary income	6,619	—
Extraordinary losses		
Loss on retirement of non-current assets	911	1,934
Impairment loss	—	56,171
Total extraordinary losses	911	58,105
Net profit (loss) before taxes in the previous quarter	(216,471)	123,097
Income taxes - current	11,871	108,820
Income taxes - deferred	39,555	(25,306)
Total income taxes	51,427	83,513
Net quarterly profit (loss)	(267,898)	39,583
Quarterly profit (loss) attributable to non-controlling interests	(1,819)	(5,603)
Quarterly profit (loss) attributable to owners of the parent	(266,079)	45,187

(Quarterly consolidated statement of comprehensive income)
(Second quarter of the consolidated cumulative period)

(Thousands of Yen)

	Second Quarter of the Previous Consolidated Cumulative Period (from March 1, 2020 to August 31, 2020)	Second Quarter of the Current Consolidated Cumulative Period (from March 1, 2021 to August 31, 2021)
Net quarterly profit (loss)	(267,898)	39,583
Other comprehensive income		
Foreign currency translation adjustment	3,102	(1,459)
Total of other comprehensive income	3,102	(1,459)
Quarterly comprehensive income	(264,795)	38,124
Comprehensive income attributable to		
Quarterly comprehensive income attributable to owners of the parent	(262,976)	43,728
Quarterly comprehensive income attributable to non- controlling interests	(1,819)	(5,603)

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of Yen)

	Second Quarter of the Previous Consolidated Cumulative Period (from March 1, 2020 to August 31, 2020)	Second Quarter of the Current Consolidated Cumulative Period (from March 1, 2021 to August 31, 2021)
Cash flows from operating activities		
Net profit (loss) before taxes in the previous quarter	(216,471)	123,097
Depreciation	141,057	153,342
Impairment loss	—	56,171
Amortization of goodwill	12,051	12,051
Share-based remuneration expenses	—	64,000
Increase (decrease) in provision for bonuses	8,492	36,585
Increase (decrease) in provision for point card certificates	1,516	2,583
Increase (decrease) in provision for loss on order received	—	20,173
Increase (decrease) in provision for sales returns	9,186	4,803
Interest and dividend income	(400)	(273)
Interest expenses	2,523	6,339
Foreign exchange losses (gains)	(3,970)	5,966
Subsidy income	(24,122)	(11,877)
Gain on reversal of share acquisition rights	(6,619)	—
Loss on retirement of non-current assets	911	1,934
Increase (decrease) in accrued consumption taxes	122	(148,692)
Decrease (increase) in trade receivables	34,184	12,986
Decrease (increase) in inventories	216,491	(414,663)
Increase (decrease) in trade payables	2,474	(3,628)
Other	(61,170)	(38,712)
Subtotal	116,258	(117,812)
Interest and dividends received	400	270
Interest paid	(2,571)	(6,286)
Proceeds from subsidy income	24,122	11,877
Income taxes paid	(138,084)	(20,383)
Cash flows from operating activities	125	(132,335)
Cash flows from investing activities		
Purchase of property, plant and equipment	(92,582)	(273,235)
Purchase of intangible assets	(49,215)	(41,259)
Payments of leasehold and guarantee deposits	(36,934)	(121,249)
Proceeds from refund of leasehold and guarantee deposits	9,000	6,824
Other	(20,889)	(64,450)
Cash flows from investing activities	(190,622)	(493,369)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	326,324	1,980
Proceeds from long-term borrowings	280,000	530,000
Repayments of long-term borrowings	(262,082)	(335,347)
Dividends paid	(90,519)	(89,639)
Other	1,773	1,293
Cash flows from financing activities	255,495	108,286
Effect of exchange rate change on cash and cash equivalents	7,072	4,461
Net increase (decrease) in cash and cash equivalents	72,072	(512,956)
Cash and cash equivalents at beginning of period	1,618,631	1,937,333
Cash and cash equivalents at end of period	1,690,703	1,424,377

(4) Notes on the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

N/A

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

N/A

(Additional Information)

(Accounting Estimates Related to the Effects of the Coronavirus Pandemic)

We make accounting estimates, including recoverability of deferred tax assets and loss from impairment of non-current assets, based on information available at the time of the preparation of quarterly consolidated financial statements.

While we expect that the coronavirus pandemic will continue to have effects on the Treasure Factory Group's businesses in varying degrees, we make accounting estimates based on the assumption that our performance will be comparable to other years' in March 2021 and thereafter.

(Segment Information, etc.)

[Segment Information]

I. Previous Second Quarter of Consolidated Cumulative Period (from March 1, 2020 to August 31, 2020)

1. Information about the amounts of the net sales and profit or loss for each reporting segment

(Thousands of Yen)

	Reporting segment	Other (Note 1)	Total	Adjustment amount (Note 2)	Amount reported on the quarterly consolidated statement of income (Note 3)
	Reuse business				
Net sales					
Sales to external customers	8,180,109	197,366	8,377,476	—	8,377,476
Internal sales or transfer between segments	—	25,150	25,150	(25,150)	—
Total	8,180,109	222,517	8,402,626	(25,150)	8,377,476
Segment's profit (loss)	445,510	(44,551)	400,958	(664,336)	(263,378)

(Note 1) "Other" refers to the business segments not included in the reporting segments, such as the rental, information system, and real estate businesses.

(Note 2) The adjustment amount for the segment's profit or loss is a company-wide expense and primarily part of selling, general and administrative expenses not attributable to the segment.

(Note 3) The segment's profit or loss has been adjusted according to the operating loss shown in the quarterly consolidated statement of income.

2. Information about the impairment loss on non-current assets or goodwill for each reporting segment

(Material Impairment Loss Pertaining to Non-current Assets)

N/A

(Material Change in the Amount of Goodwill)

N/A

II. Second Quarter of Current Consolidated Cumulative Period (from March 1, 2021 to August 31, 2021)

1. Information about the amounts of the net sales and profit or loss for each reporting segment

(Thousands of Yen)

	Reporting segment	Other (Note 1)	Total	Adjustment amount (Note 2)	Amount reported on the quarterly consolidated statement of income (Note 3)
	Reuse business				
Net sales					
Sales to external customers	10,450,765	285,397	10,736,162	—	10,736,162
Internal sales or transfer between segments	—	24,295	24,295	(24,295)	—
Total	10,450,765	309,692	10,760,457	(24,295)	10,736,162
Segment's profit (loss)	967,965	(20,307)	947,657	(792,428)	155,229

(Note 1) "Other" refers to the business segments not included in the reporting segments, such as the rental, information system, and real estate businesses.

(Note 2) The adjustment amount for the segment's profit or loss is a company-wide expense and primarily part of selling, general and administrative expenses not attributable to the segment.

(Note 3) The segment's profit or loss has been adjusted according to the operating profit shown in the quarterly consolidated statement of income.

2. Information about the impairment loss on non-current assets or goodwill for each reporting segment

(Material Impairment Loss Pertaining to Non-current Assets)

In the information system business included in "Other," some assets have decreased in profitability and will unlikely generate return on investment. The book value of these assets (goodwill) has been written down to a recoverable amount, so that the reduction has been recorded as an impairment loss under extraordinary losses.

The reduction in goodwill in this event is ¥56,171 thousand for the second quarter of the current consolidated cumulative period.

(Material Change in the Amount of Goodwill)

As stated in "Material Impairment Loss Pertaining to Non-current Assets" above, the amount of goodwill has decreased because the information system business included in "Other" has recorded an impairment loss in goodwill.

(Material Post-Balance Sheet Events)

N/A